

THE CHANCERY COURT FOR LEWIS COUNTY
AT HOHENWALD, TENNESSEE

FILED

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IN RE:

SENTINEL TRUST COMPANY

NO. 4781

AM

DEC 06 2004

JANET WILLIAMS, CLERK & MASTER
BY: Selene L. Dwyer D.C.

MOTION FOR APPROVAL OF FINAL DISTRIBUTION TO BONDHOLDERS ON
NASHVILLE-MAPLECREST BOND ISSUE AND THE CLOSING OF MATTERS
RELATING TO THAT ISSUE SAVE THROUGH THE PROOF OF CLAIM PROCESS

I. INTRODUCTION

Sentinel Trust Company, in Liquidation, moves the Court to approve the final distribution to bondholders of The Industrial Development Board of The Metropolitan Government of Nashville and Davidson County, Tennessee, MultiFamily Housing Revenue Bonds, Series 1997 (Nashville-Maplecrest, Inc. Project) ("Maplecrest Bond Issue").

II. FACTUAL BACKGROUND

The Maplecrest Bond Issue related to the financing of low income housing in Davidson County, Tennessee. In late 2002, it became apparent that the revenues of that housing project were going to be less than the debt service obligation on the bond issue. In January 2003, the Maplecrest Bond Issue was declared in default. From that point forward, the borrower continued to make payments to Sentinel Trust, and, indeed, on at least one occasion, Sentinel Trust made a partial payment to bondholders, but the revenues from the housing project never were sufficient to bring the Maplecrest Bond Issue out of default status.

In or around the fall of 2003, a foreclosure sale of the property was attempted, but the highest bid was \$1.4 million, which Sentinel Trust rejected. When the Sentinel Trust

Receivership was instituted in May 2004, efforts were then underway regarding further pursuit of selling the property at foreclosure. The Receiver continued those efforts and, on July 29, 2004, the property was sold at foreclosure. The net sale proceeds, plus the amounts received from continued payments from Maplecrest (which continued post- May 18, 2004) aggregate in the amount of \$2,085,888.21, which is currently being held by the Sentinel Trust Receivership.

III. DEDUCTION OF FEES AND EXPENSES

Because the Maplecrest Bond Issue, while in default, nevertheless continued to make payments to Sentinel Trust, there does not exist on that bond issue a "negative" or "overdraft" position as to the pooled fiduciary account. Accordingly, there are no funds from the realization of the Maplecrest Bond Issue collateral that are to be "paid back" to the pooled fiduciary account nor are there any pre- May 18, 2004 fiduciary fees or other attendant expenses owed to Sentinel. See Exhibit A attached hereto.

Records available to the Sentinel Trust Receiver indicate that there were fees for attorney-provided services on the Maplecrest Bond Issue default pre- May 18, 2004 which were unpaid as of the institution of the Sentinel Trust Receivership and which are still unpaid. The total unadjusted amount of these attorneys' fees is \$241.00 billed by the Waller, Lansden firm. The Receiver has determined that the fees owed to Waller Lansden are reasonable and appear to have been necessary for Sentinel to perform its duties as indenture trustee to the Maplecrest Bond Issue. Nevertheless, Waller Lansden, as an accommodation to the circumstances facing the Sentinel Trust Receiver, has agreed to reduce that amount by fifty percent (50%) to \$120.50. The Receiver recommends that this reduction be accepted and that the Court approve the reduced amount to be paid from the \$2,085,888.21.

There are fees and expenses relating to the Maplecrest Bond Issue default that are post- May 18, 2004 fiduciary fees, counsel fees and receivership expenses/administrative expenses.

The charging of post- May 18, 2004 fiduciary, default administration and related fees and charges is based on fees and charges set by the Maplecrest Bond Issue documents and fee schedules, which are the same fees and expenses charged and paid pre- May 18, 2004. These fees total \$38,658.57 (see Exhibit A) and have been taken from the \$2,085,888.21 earlier received by the Receiver. A significant portion of these post- May 18, 2004 fees are attorneys' fees incurred on matters relating to the foreclosure and sale of the property. See Exhibit A. To the extent that payment of post- May 18, 2004 fiduciary fees, default administrative and related charges (which, along with funds from other sources, go to fund the operations of the Sentinel Trust Receivership) result in an excess of funds at the time of determination of final distribution to then remaining claimants and creditors, those funds will be used to increase the pro rata distribution to those claimants and creditors.

Finally, based upon the expected need for payment of residual expenses incurred in the distribution of monies to the Maplecrest Bond Issue bondholders, the small amount of \$4,229.14 is shown as being held back from distribution to these bondholders. See Exhibit A.

IV. DISTRIBUTION TO BONDHOLDERS

As shown in Exhibit A, the amount that remains yields a distribution to the Maplecrest Bond Issue bondholders of approximately 61¢/\$1.00.

V. ARGUMENT IN FAVOR OF DISTRIBUTION TO BONDHOLDERS AND PAYMENT OF FEES AND EXPENSES AS SET FORTH HEREIN

The sixty-one cents per dollar payoff, while not a full payoff, is an amount that, to the Receiver's knowledge and experience, surpasses most payoffs in bankruptcy/default contexts. The approximately \$39,000.00 in fees deducted from the \$2,085,888.21 amount were for post-receivership fees and expenses and were largely for attorneys' fees attendant to the foreclosure and sale of the property at a price that yielded much more than previous efforts to sell the

property. The amounts of post- May 18, 2004 fiduciary fees, default administration fees and other attendant charges are based upon the fees and expenses allowed by the bond issue documents and published fee/charge schedules. As mentioned earlier, these fees and expenses (along with funds from many other sources) are funding the operations of Sentinel Trust Receivership, including the efforts to further recover funds and to grow the assets of the receivership estate. Any excess monies at the end of the receivership will be distributed to the then remaining creditors and claimants. Accordingly, the Receiver urges the Court to approve the distribution of the \$2,085,888.21 received in relation to the Maplecrest Bond Issue as set forth in Exhibit A hereto.

VI. REQUEST FOR COURT TO ORDER THAT PAYMENT OF PROPOSED DISTRIBUTION TO BONDHOLDERS EXTINGUISHES ALL CLAIMS AS AGAINST SENTINEL TRUST SAVE THROUGH THE PROOF OF CLAIM PROCESS

The Receiver requests that, as part of the Court's Order approving the Maplecrest Bond Issue distribution, the Court provide that the bondholders' recourse regarding matters relating to the Maplecrest Bond Issue be limited to presenting a proof of claim in the proof of claim process soon to be submitted, by the Receiver, to this Court for review and approval. As has earlier been stated to the Court in different contexts, it is extremely important that multiple actions by varying groups of bondholders, racing to the courthouse to gain advantage as to one another, not be allowed. Similarly, it is very important the proof of claim process be the venue for uniform treatment of claimants under this Court's supervision and that the Receiver's pursuit of third-party claims on behalf of all claimants be allowed unimpeded. For these reasons, it is requested that the Court's Order include a provision requiring any Maplecrest Bond Issue bondholder to pursue claims relating to that bond issue in the Sentinel Trust Receivership through the proof of claim procedure.

Moreover, the Maplecrest bondholders will be involved in the proof of claim process in any event. As mentioned earlier, prior to May 18, 2004, the Maplecrest Bond Issue, though in default, was making payments to Sentinel Trust. Indeed, those monies covered the various fiduciary fees, default administrative fees and other attendant expenses paid after the issue fell into default but prior to May 18, 2004. The pre- May 18, 2004 payments were deposited in the pooled fiduciary account and, as of May 18, 2004, the Maplecrest Bond Issue had a positive balance in that pooled fiduciary account of approximately \$164,504.63. See Exhibit A. As the Court is aware, it is that pooled fiduciary account which has the shortfall/deficiency of funds, and which will be the primary focus of the proof of claim process instituted in the Sentinel Trust Receivership. Accordingly, the Maplecrest Bond Issue bondholders will receive information from the Receiver concerning their claims as against the pooled fiduciary account and, thus, in making claim in the proof of claim process any Maplecrest bondholder can make, in that forum, whatever further claims he/she/it feels would be appropriate.

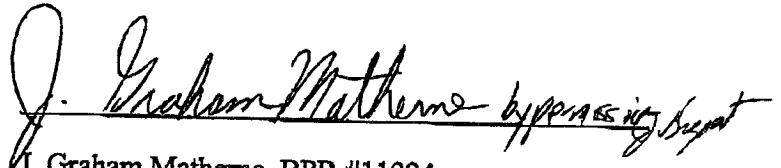
VII. NOTICE TO BONDHOLDERS

Notice of this Motion was provided to all of the Maplecrest Bond Issue bondholders known to the Sentinel Trust Receiver. That Notice, a copy of which is attached as **Exhibit B**, was mailed on Friday, December 3, 2004, to each known bondholder at his/her/its address as reflected in the Sentinel Trust records. That Notice informs the bondholders of much of the contents of this Motion, informs them of when and where the hearing of this Motion is to occur, directs them to the Department of Financial Institutions website to review the full text of this Motion (including exhibits) and provides them with telephone numbers to call with questions.

VIII. CONCLUSION

For the stated reasons, the Sentinel Trust Receiver requests that an Order of Court issue as requested herein.

Respectfully submitted,

A handwritten signature in cursive script, reading "J. Graham Matherne by power of attorney".

J. Graham Matherne, BPR #11294

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*Counsel for Jeanne Barnes Bryant and
Receivership Management, Inc., Receiver
of Sentinel Trust Company, in Liquidation*

Sentinel Trust Company
The Industrial Development Board of the Metropolitan
Gouvernement of Nashville and Davidson County
Multifamily Housing Revenue Bonds, Series 1997
(Nashville-Maplecrest, Inc. Project)
Default Issue

**Final Accounting for Final Distribution to Metro-Nashville Maplecrest
Bondholders**

**Account Summary for Metro-Nashville Maplecrest
EXHIBIT A**

Summary

Total Money Received Post May 18, 2004	2,085,888.21
Total Pre May 18, 2004 Payable Due Fiduciary Account	-
Total Pre May 18, 2004 Payable Due Sentinel Trust Company	-
Total Pre May 18, 2004 Attorney's Fees Unpaid	(120.50)
Total Post May 18, 2004 Expenses Due	<u>(38,658.57)</u>
Net Total Available to Bondholders	2,047,109.14
 Total Amount Payable to Bondholders	 <u>(2,042,880.00)</u>
(Payout of \$3,360,000 X \$0.608)	
 Residual Balance for Final Expenses	 <u>4,229.14</u>

Account Detail	
Waller, Lansden, Dortch, and Davis Pre May 18, 2004 Unpaid Fees (\$241.00 @ 50%)	120.50
Total Pre May 18, 2004 Attorney Fees Unpaid	120.50
Assessment of Fiduciary Fees for Metro-Nashville Maplecrest Post May 18, 2004	
Fiduciary Fee due July 1, 2004	(4,281.25)
Fiduciary Fee due August through December 2004	(3,567.71)
Default Administration Fee through 10/31/04	(8,580.00)
Termination Fee based on Original Issue Amount:	(8,562.50)
Continental Property Management, LLC	(1,381.24)
Other Fee Assessment (Wyatt, Tarrant, and Combs)	(12,285.87)
Total Expenses Post May 18, 2004	<u>(38,658.57)</u>

Pre May 18, 2004 Deposits (Proof of Claim Amount)	164,504.63
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Notice to Bondholders Regarding Final Distribution

\$3,425,000 The Industrial Development Board of The Metropolitan Government of Nashville and Davidson County, Tennessee, MultiFamily Housing Revenue Bonds, Series 1997 (Nashville-Maplecrest, Inc. Project), (the "Bonds"). Reportedly CUSIP #592065V94, W28, W36, W44, W51, W69, W77, W85 and W93.

Sentinel Trust Company (the "Trustee") serves as indenture trustee under that certain Trust Indenture dated as of July 1, 1997 (the "Indenture") between the Trustee and The Industrial Development Board of The Metropolitan Government of Nashville and Davidson County, Tennessee (the "Issuer") and by assignment of that certain Loan Agreement Dated as of July 1, 1997 (the "Agreement") between the Issuer and Nashville-Maplecrest, Inc. (the "Borrower").

The Trustee has previously notified bondholders that the Borrower failed to provide sufficient funds to make the July 1, 2003 interest payment on the Bonds and subsequent payments due January 1, 2004 and July 1, 2004. On July 29, 2004, the Trustee sold the 140-unit apartment complex (the "Collateral") in Nashville, Tennessee, which serves as the collateral for the loan financed by the Bonds. The estimated distribution will be approximately \$600.00 per \$1,000 principal amount of Bonds. The current outstanding principal balance on the Bonds is \$3,360,000.

The Receiver for Sentinel Trust has filed with the Chancery Court in Lewis County, Tennessee a Motion requesting approval to make a final distribution to bondholders. The final distribution represents the amount available for bondholders after deducting all fees incurred by the Receiver since May 18, 2004, and after deducting all fees and costs incurred by Sentinel. Fees and expenses normally include such items as expenses incurred in connection with the collateral sale, default administration, legal and professional fees. Please refer, on or after December 6, 2004, to the website for the Tennessee Department of Financial Institutions at www.state.tn.us/financialinst/ to view the Motion and Exhibit concerning these fees and expenses. The Motion for Approval will be heard by Chancellor Davies in Lewis County Chancery Court in Hohenwald, Tennessee on Wednesday, December 15, 2004, at 9:00 A.M. CST.

Bondholders with questions about this notice may direct them to the Receiver for Sentinel Trust Company, Jeanne Barnes Bryant at 931-796-7961.

Dated: December 3, 2004

Sentinel Trust Company, as Trustee

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